

ROUTING

**Top Secret** 218

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NATIONAL INTELLIGENCE DAILY CABLE

Friday 24 March 1978

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DIA review(s) completed.



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National Intelligence Daily Cable for Friday, 24 March 1978.

The NID Cable is for the purpose of informing senior US officials.

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## ISRAEL-LEBANON: Military Withdrawal

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[ ] The Israelis are preparing to withdraw some forces from southern Lebanon as UN troops take up positions in the south and the prospects for renewed fighting decrease.// There are reports of atrocities committed by Lebanese Christian forces against Muslims in southern Lebanon.//

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[ ] //The reports of atrocities committed by Christian militia personnel against Muslims have been numerous. Many are unsubstantiated, but some are undoubtedly true. The Israelis are apparently attempting to rein in their allies, but so far have been unable to keep them under control.//

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[ ] //Some Muslims have been killed in revenge for past killings; other incidents involve robbery and looting.

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[ ] //There are indications that the Israeli Government is becoming increasingly alarmed at the atrocities committed by forces under its tutelage, and Israeli forces are stepping in to stop further killings when possible. It seems likely that the killings will multiply as the Israelis withdraw.//

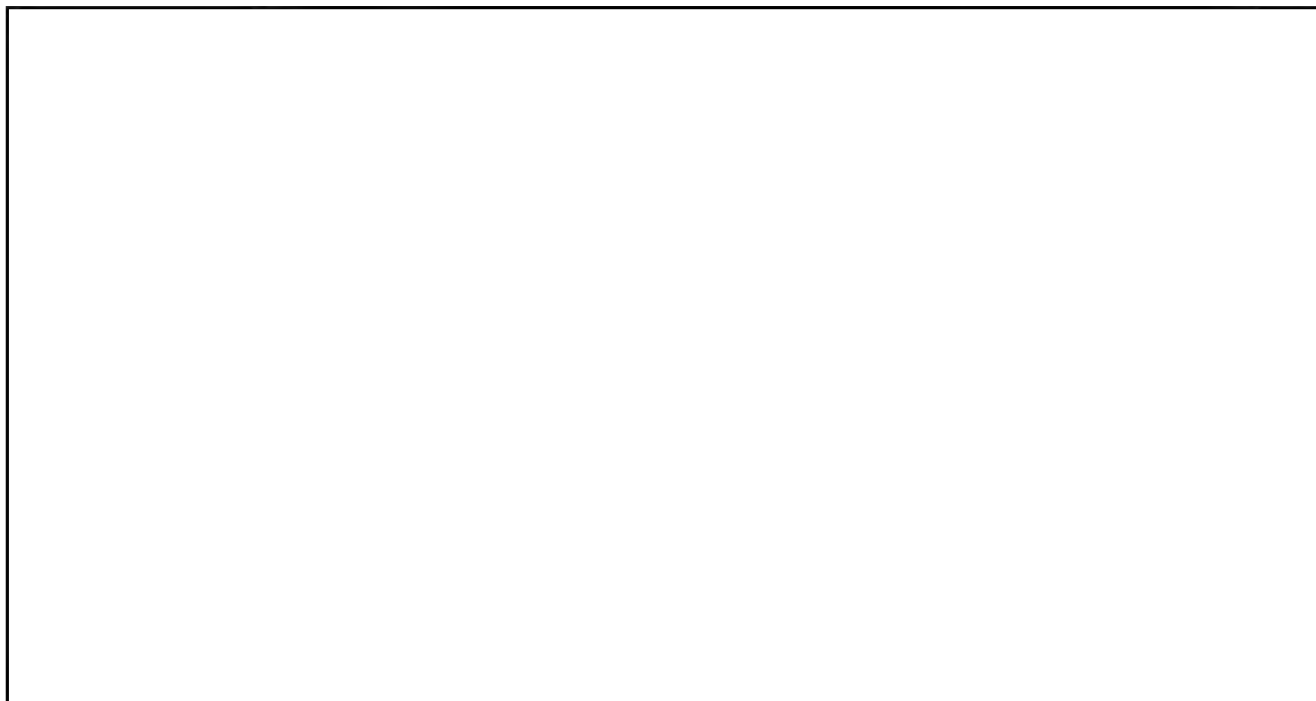
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[ ] //The Christians will probably try to expand their areas of control. Because UN forces may not be able to prevent the reinfiltration of Palestinians south of the Litani River, a spiral of reprisal and counterreprisal is likely to be touched off in the south. Refugees who have fled the area will probably be afraid to return; new refugees will probably be created, adding to the instability elsewhere in the country. [ ]

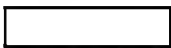
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## EUROPE-USSR : Chemical Market

 West European chemical producers are being undersold by the Soviets and East Europeans, who are producing goods with technology and equipment imported from the West. Communist inroads into Western chemical markets are still small, but Western manufacturers, already hurt by slumping domestic economies, fear increased competition and loss of export markets as the Soviets and East Europeans try to boost their hard currency earnings.

 The USSR and East European countries are net importers of chemicals but are moving toward self-sufficiency in petrochemicals and plastics. They are increasing exports of ammonia and nitrogen fertilizers as a result of plant imports from the West.

 Many of the chemical plant purchases from the West include payback provisions that guarantee that the seller of the equipment will purchase, or accept as payment, a share of the goods produced when the equipment goes on line. Most product payback agreements involve the USSR, although some have



been concluded with East European countries. Soviet chemical sales stemming from compensation deals signed through 1977 are likely to exceed \$300 million annually by the early 1980s.

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[ ] In an attempt to penetrate Western markets and increase their hard-currency earnings, the Soviets and East Europeans often export chemical products at below-market prices. Although small relative to total West European demand, such exports are having a substantial impact on selected markets.

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[ ] Communist sales of styrene-butadiene rubber to Western Europe are reported to amount to 10 to 15 percent of that market, but account for 50 percent of sales in the Benelux countries and 20 percent of sales in France. In the UK, Hungarian PVC-coated fabric costs 20 percent less than domestically produced goods. Communist nitrogen fertilizer exports have cut deeply into Western markets in developing countries and have sold in Western Europe at 75 percent of local prices.

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[ ] West European chemical producers are increasingly wary of further product payback deals with the Soviets. Some of these chemical producers, however, are responsible for providing the processing technology included in many of these sales agreements. At a meeting in Vienna last fall, the chemical producers proposed that further product payback deals be monitored by the EC in advance of final agreement and that a "European selling price" for chemical goods be established to control dumping.

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[ ] How this will affect future deals involving chemicals is uncertain, but the head of the Soviet Chemical Ministry says future Soviet purchases of chemical plant and technology would be tied to payback arrangements. While probably an overstatement, it indicates that Moscow will strongly resist eliminating or even reducing product payback deals. In coming years, the EC may face a difficult choice between lucrative plant sales and the economic interests of its chemical industries. [ ]

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## USSR: Firyubin Trip to Asia

25X1 [redacted] Soviet Deputy Foreign Minister Nikolay Firyubin visited Malaysia, Singapore, and Thailand earlier this month in order to boost Soviet efforts to improve ties with non-Communist Southeast Asia. Firyubin discussed bilateral economic and political matters on each of his stops, but the primary reason for his trip was to balance recent Chinese initiatives in the area, as well as to clarify Moscow's position on the Cambodian-Vietnamese conflict and on the Association of Southeast Asian Nations. There is no indication that he had any success in countering Asian suspicions of the Soviet presence in the area.

25X1 [redacted] Firyubin's trip was the third high-level Soviet visit to Southeast Asia this year. Deputy Defense Minister Pavlovskiy has been to Laos and Politburo member Romanov visited Vietnam. Pavlovskiy discussed Soviet aid to Laos and Romanov was trying to exploit Sino-Vietnamese differences over the Vietnamese-Cambodian conflict.

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[redacted] //Firyubin's major purpose probably had more to do with countering recent Chinese travels in the area. The Soviets have watched recent Chinese trips to South and Southeast Asia with concern, if not alarm, and see Southeast Asia as a main area of competition with Peking.//

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## BRIEFS

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## Romania

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[ ] Radio Bucharest announced yesterday that Party Secretary Stefan Andrei has replaced George Macovescu as Foreign Minister. The announcement came after a two-day session of the Romanian Party's Central Committee. Macovescu had a gall bladder operation last month and his release may be for health reasons. Andrei, who has been President Ceausescu's chief foreign policy adviser since 1972, most likely will not change Romania's basic foreign policy. He will probably accompany Ceausescu to the US next month.

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[ ] Andrei has apparently also lost his position on the party Secretariat. Four other members of the Secretariat were eased out during a wide-ranging reshuffle of the party and government apparatus on 7 March. According to press reports, Andrei has retained his place on the party's Permanent Bureau--a select group of Ceausescu's closest associates. His membership on that body should raise the prestige of the Foreign Ministry. His predecessor was only a Central Committee member.

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## Turkey

25X1 [ ] Turkey will receive a \$375 million standby credit from the International Monetary Fund under a letter of intent signed in Washington yesterday. Although the loan must still be formally approved by the IMF Board of Directors, the agreement should open the door to negotiations with private foreign creditors for additional funds and for refinancing \$2 billion to \$2.5 billion in short-term debt currently due. Private lenders have been delaying loan talks for months, urging Turkey first to come to terms with the IMF.

25X1 [ ] Turkish drawings on the IMF credits, which will be spread over the next two years, are conditional on economic policy actions spelled out in the letter of intent. The Ecevit government has announced a package of austerity measures that includes a large devaluation of the lira, a lean 1978 budget, and travel and import restrictions. [ ]

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## Argentina

25X1 [ ] The Argentine Navy has decided to buy either the French - West German Alpha Jet or the Spanish Casa 101 as its primary jet trainer. [ ]

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[REDACTED] the US T-2 Buckeye jet, which was also under consideration, was not selected because the Argentines view the US as an unreliable supplier.

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[REDACTED] Neither the Alpha Jet nor the Casa 101--both considerably newer than the T-2--has been sold to any Latin American country. The West European planes are similar in capabilities; both can be configured for ground-attack missions at subsonic speeds. The jet selected will replace the US T-28 Trojan propeller trainers that the Argentine Navy has flown for many

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years. [REDACTED]

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